

Title: Abnormal Market Return from Real Estate Divestiture and Acquisition Announcements in a Developing Country

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Abstract: Real estate asset divestitures and acquisitions (D&A) are conducted as part of corporate restructuring. This study attempts to fill the knowledge gap on abnormal market return (AR) towards D&A activities during recession in a developing country. The samples are Malaysian listed non-real estate companies that conducted D&A during the 2008 financial crisis. Event study methodology is used to determine AR surrounding D&A announcements within (-10day, +10day) event window. Results show that both D&A announcements bring insignificant AR on and near the announcement date (-1 to +1). Prior to announcement, divesting (acquiring) companies incur negative (positive) AR, indicating that any leakage of information on divestiture (acquisition) is not favored (favored) by the market. Post-announcement results show that divesting companies continued to experience negative ARs even though majority of such companies divested at premium prices. However, acquiring companies experience significant and negative post-announcement AR. This is plausibly due to the majority of acquiring companies paid a premium above valuation for their acquisitions. In summary, the market frowns upon divestitures in general and acquisitions of real estate assets above their valuations during economic recessions.